Saskatchewan Government Insurance

Superannuation Plan

2008

Annual Report

MESSAGE FROM THE CHAIR

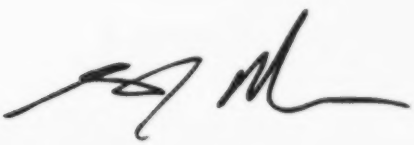
2008 has been a challenging year for the Saskatchewan Government Insurance Superannuation Plan (the Plan). Unprecedented instability in worldwide financial markets had a noticeable impact to the Plan's investment return. For 2008, the Plan experienced a negative return of 10.5%. The diversified investment portfolio and conservative investment strategy of the Plan were important factors in protecting Plan assets somewhat.

An actuarial valuation as of December 31, 2007 was completed during the year and an extrapolation of that valuation has been performed for accounting purposes for the Plan's audited December 31, 2008 financial statements. Those financial results show a decline in both Plan assets and surplus. At December 31, 2008, the Plan was in a surplus of $2,062 compared to $1,474,686 at the end of the prior year. The contribution rate to the Plan by SGI was increased in 2008 as recommended in the actuarial valuation report.

Plan members should look at these financial statements as information created for financial reporting purposes only. The Superannuation Plan Committee (the Committee) uses two different valuations prepared by the Plan's actuary to evaluate the financial soundness of the Plan: a solvency valuation and, a going concern valuation. In considering the 2008 financial results the corporation felt it was prudent not to increase pension supplements for 2008. This represents only the third time in the history of the Plan that an annual supplement was not approved. Careful monitoring of the Plan's financial position will continue to be a priority of the Committee.

Jim Crighton, long serving Member representative on the Pension Committee passed away late in 2008 and his pension knowledge and member advocacy will be missed. Following the subsequent election process, Nick Kapell was elected as the new Member representative.

Increased importance is being placed on demonstrating proper governance practices for pension plans. The Committee continues working on improvements regarding the Plan's structure, governance and financial performance.



Ed Helm, Chair
SGI Superannuation Plan Committee

PLAN OVERVIEW

The Contributory Superannuation Plan for the Employees of Saskatchewan Government Insurance, commonly referred to as the Saskatchewan Government Insurance (SGI) Superannuation Plan (the Plan) is a pension plan registered under *The Saskatchewan Government Insurance Act*, 1980 (the Act), which gives SGI the authority to organize and support the defined benefit pension plan, subject to *The Pension Benefits Act*. The Plan is maintained by SGI for employees who were hired prior to January 1, 1980 and did not elect to transfer to the defined contribution plan.

The Act guarantees members' basic pension regardless of the financial status of the Plan. The Plan is financially sound and holds a well-diversified portfolio of debt and equity investments. Net assets available for benefits totaled $35.5 million at December 31, 2008. Diversification of the Plan's assets helps to maximize the return on Plan assets and to minimize the impact of volatility in specific segments within the capital markets.

PLAN GOVERNANCE

Overall governance and administration of the Plan resides with SGI. The Superannuation Plan Committee, (the Committee) which makes recommendations to the SGI Board of Directors, acts on and decides all matters pertaining to administration of the Plan. SGI Board members are appointed by Order in Council pursuant to *The Saskatchewan Government Insurance Act*, 1980.

The role of the Board and the Committee are set out in the plan text.

The Board is responsible for:

- approving amendments to the Plan, as referred by the Committee;
- appointing a member to the Committee pursuant to the structure of the Committee;
- dealing with such other matters as may be referred to it by the Committee; and
- in consultation with the Committee, interpreting the intent of the Plan in circumstances where its terms and conditions may be the subject of such interpretation.

The Committee is responsible for:

- standing in a fiduciary relationship to Members, Inactive Members, Pensioners and any other individuals entitled to benefits pursuant to the Plan;
- maintaining such records as are necessary to accurately calculate the benefits due to Members and Inactive Members in accordance with the terms of the Plan;
- declaring interest rates, upon recommendation of the Actuary;
- receiving all contributions and authorizing all benefit payments in accordance with the terms of the Plan;
- providing annual statements to all Members and Inactive Members and keeping adequate accounts of the pension fund;
- approving reciprocal agreements, amendments and conducting related correspondence;
- safekeeping the Plan and amendments thereto;
- approving the investment policy for the Plan's assets;
- ensuring the Plan is administered in accordance with its terms as registered;
- approving or directing that pensions be paid directly from the pension fund;

- filing annual information returns with the Superintendent of Pensions and the Canada Revenue Agency; and
- conducting correspondence with respect to the Plan as may be required.

Superannuation Plan Committee Composition

Ed Helm
Manager, Compensation and Benefits, SGI
Chair, SGI Superannuation Plan Committee

Ken Klein
Executive Director, Capital Pension and Benefits
Crown Investments Corporation of Saskatchewan representative

Nick Kapell
Member representative

Lydia Kapell
Supervisor, Benefit Administration, SGI
Secretary, SGI Superannuation Plan Committee

Superannuation Plan Committee members serve in a voluntary capacity and do not receive compensation for their services from the Plan. The Plan covers any out-of-pocket expenses incurred by the Committee in the course of serving the Plan.

Plan Administration

Personnel at SGI administer the Plan on a day-to-day basis. Primary responsibility lies with the Manager, Compensation and Benefits, who is the Chair of the Committee. The Supervisor, Benefit Administration, acts as the Secretary for the Committee. Plan administrators are responsible for executing decisions made by the Committee and/or the Board of Directors within approved policies and directives. Administrators act as the primary contact for members and are responsible for reporting to the Committee on all aspects of Plan performance.

Investment Manager

The investment manager for the Plan is Greystone Managed Investments Inc. The Investment Manager implements an investment strategy based on the Plan's investment policy and reports their actual results compared to a benchmark to the Committee on a quarterly basis.

Investment Advisor

The Committee uses the services of Hewitt Associates to provide recommendations on the Plan's investment policy and objectives; to provide an analytical review of the investment portfolio; an independent third party review of the Investment Managers' performance relative to peers and the Plan's benchmark portfolio. The Investment Advisor monitors risk characteristics and

comments on the performance of the investments of the Plan and advises the Committee on overall investment policy and management that would best achieve the Plan's objectives.

Custodian

The Plan's custodian, RBC DEXIA, holds custody of the assets of the Plan and is responsible for executing investment transactions and collecting income. The Custodian ensures that investment income is collected and provides record-keeping services for the Plan.

Actuary

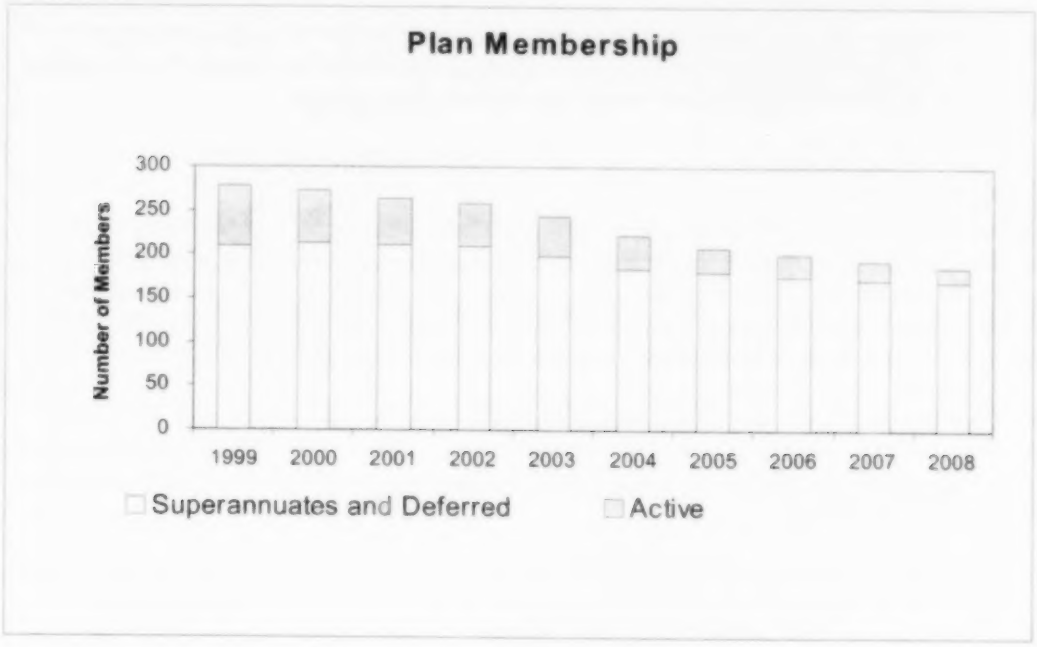
Aon Consulting Inc. prepares accounting and funding valuations at least every three years. In the intervening years extrapolations are prepared for accounting purposes, and as required by Management for funding purposes. December 31, 2007 is the most recent actuarial valuation for funding with the next valuation to take place in 2011 for the year ended December 31, 2010. An extrapolation of the December 31, 2007 valuation has been performed for accounting purposes for the Plan's audited December 31, 2008 financial statements. The Actuary also provides the Committee with information regarding administration of the Plan, and makes recommendations related to policies on benefits and funding.

Auditor

The Plan's external auditor, KPMG LLP, is contracted to perform an annual audit of the Plan's financial statements. Management of SGI prepares the financial statements for review and approval by the Committee and the SGI Board of Directors. The audit focuses on the existence, completeness and valuation of the Plan assets; the measurement of the Plan's income and expenses; and the fairness of presentation in accordance with Canadian generally accepted accounting principles. Their professional opinion on the Plan's financial statements is found in their auditors' report included in this annual report.

PLAN DEMOGRAPHICS

The Plan has been closed to new members since January 1, 1980. In 2008 there were 167 (2007 –170) people receiving a pension, 2 (2007 – 2) people eligible for a deferred pension and 15 (2007 – 18) active members.



INVESTMENT HIGHLIGHTS

Investment Strategy

The investment objective of the Plan is to prudently manage the Plan's assets to assist in avoiding unfunded liabilities and excessive volatility in annual rates of return. Considerations include growth in liabilities from active members combined with providing pension supplements to offset inflation. Based on these factors, the Plan can assume a low to moderate level of investment risk to achieve income and growth objectives. Accordingly, a diversified long-term asset mix strategy with a bias to fixed income investments is warranted.

Investment Policy

The Plan has a Statement of Investment Policies and Objectives (the Policy) approved by the Committee. The Policy reflects the philosophy of diversification and protection of capital and provides guidance to the investment manager. The purpose of the Policy is to outline investment principles, guidelines and monitoring procedures that are appropriate for Plan governance. The Policy conforms to applicable legislation and the specific characteristics of the Plan.

The Policy has set a target mix of 40% equity and 60% fixed income (2007 – 40% equity and 60% fixed income). Foreign equity content target is set at 24% (2007 – 24%). The actual mix at any one time, however, may differ from this target within ranges specified in the Policy due to fluctuations in the market.

The investments of the Plan must comply with the requirements and restrictions imposed by the applicable legislation, including but not limited to the requirements of *The Saskatchewan Pension Benefits Act*, 1992 which refers to the federal *Pension Benefits Standards Act*, 1985 on investment related issues, the *Income Tax Act* and its related *Regulations*, and all subsequent amendments. In general the Investment Manager may within its mandate, invest the Plan assets in any of the approved asset classes that meet certain minimum quality standards. These asset classes primarily include:

- Short-term investments with minimum quality standard of "R-1" or equivalent.
- Bonds with minimum quality standard of "BBB" or equivalent.
- Equity investments should be in relatively high quality portfolios and be limited to stocks that are publicly traded on a recognized securities market.

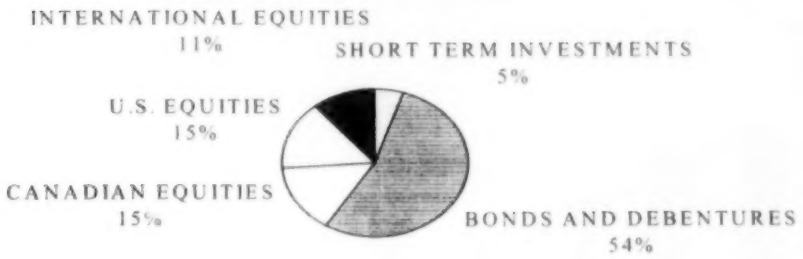
Monitoring Plan performance is a key activity in supporting the investment objectives. The Policy outlines a benchmark portfolio comprised of various asset classes. The Plan's primary objective is to achieve a rate of return superior to the rate of return earned on the following benchmark portfolio asset mix:

Benchmark Portfolio Composition

ASSET CLASS	MARKET INDEX	TARGET WEIGHT	ACTUAL WEIGHT	TARGET RANGE
Short-term investments	91 day Treasury Bills	5%	5%	3-20%
Bonds	DEX Universe Bond Index	55%	54%	40-70%
Canadian equities	Standard & Poor's/TSX Capped Composite Index	16%	15%	10-30%
U.S. equities	Standard & Poor's 500 Index (Cdn. $)	12%	15%	Total foreign 18-30%
Non-North American equities	Morgan Stanley Capital (MSCI) EAFE Index (Cdn. $)	12%	11%	
Total Fund		**100%**	**100%**	

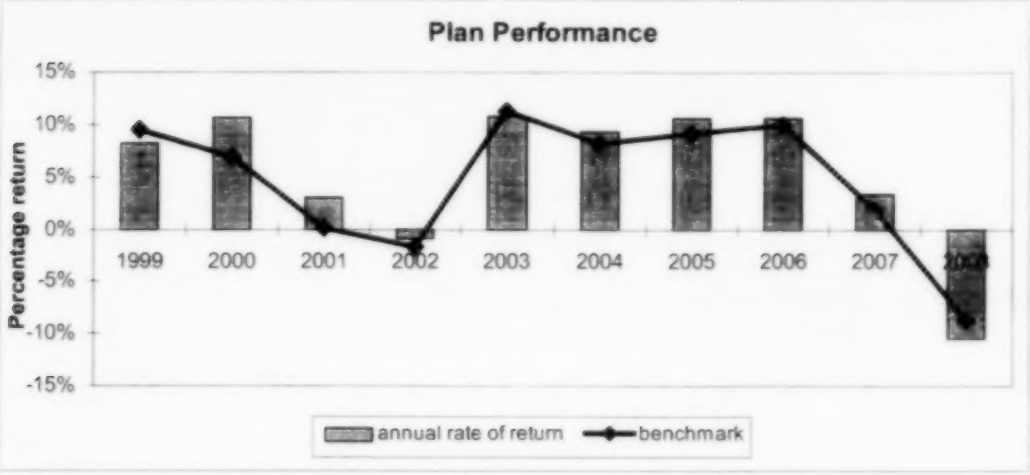
A secondary objective is to exceed the benchmark index in each of the asset classes in which the investment manager invests. The actual allocation of assets in 2008 conformed to the guidelines of the Policy as shown in the following graph:

ASSET ALLOCATION 2008 (at market value)

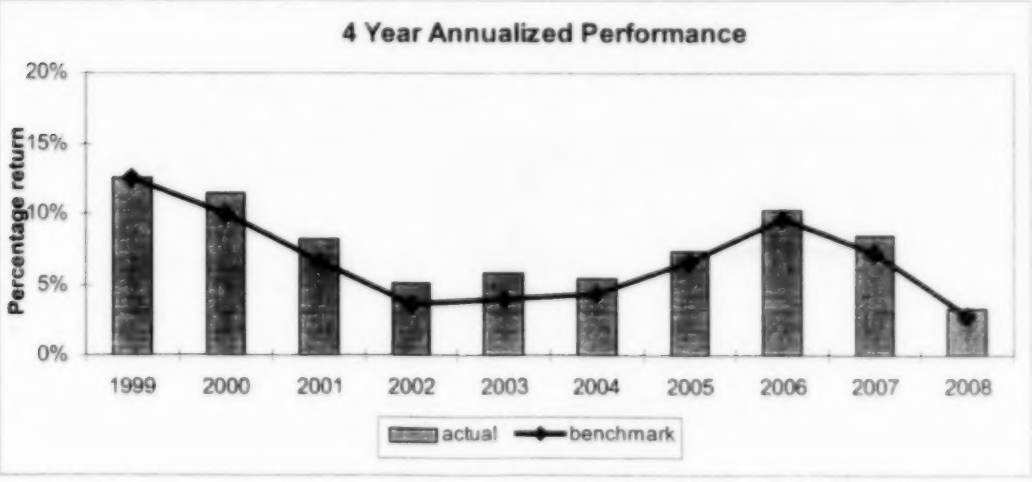


Investment Performance

The Plan's performance is measured by comparing its return to that of the benchmark portfolio. The Plan's return in 2008 was (10.5%) (2007 – 3.3%), lower than the benchmark rate of return of (8.7%) (2007 – 1.8%). The following graph illustrates how annual returns fluctuate from year to year and from the related benchmark:

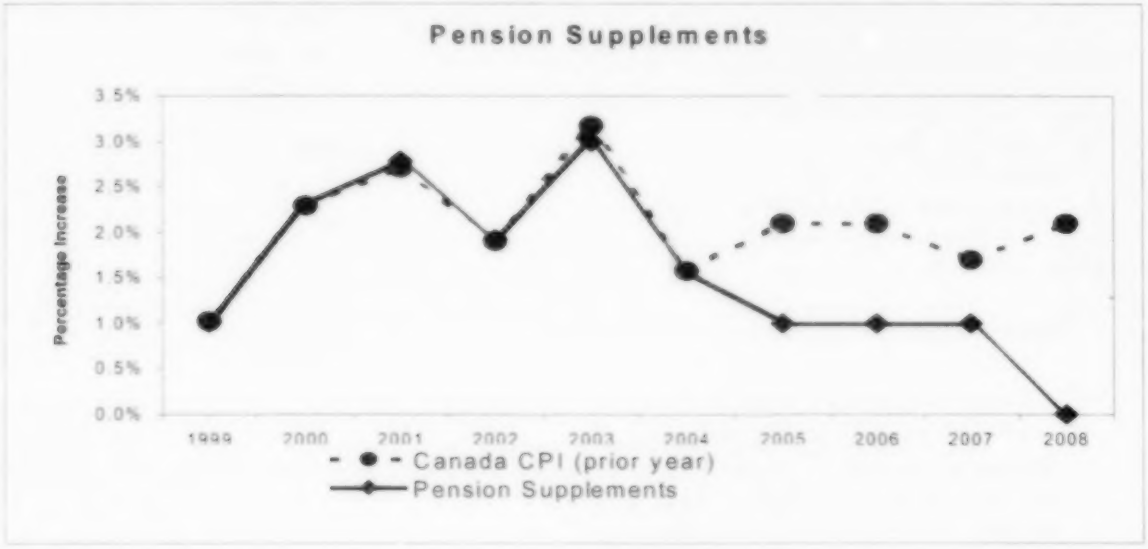


A common measurement statistic used by the pension fund industry is to calculate a pension fund's performance on a four-year cycle. This longer-term measure has greater relevance and lower volatility than a one-year measurement. Over the four-year period 2005 – 2008, the Plan averaged an annual return of 3.2%, 0.4% higher than the benchmark's return of 2.8%. The following graph shows that the Plan's four-year annualized performance has exceeded its benchmark every year since 1999:



Pension Supplements

The Plan's pension benefits are not formally indexed for inflation, although the Plan has consistently approved pension supplements, which are annual increases subject to the solvency position of the Plan and limitations imposed by the *Income Tax Act* (Canada). The Committee reviews the Plan's funded status annually to assess the viability of pension supplements and provides a recommendation to the corporation for approval. Given the financial results during the year no supplement was approved for 2008. The following graph highlights pension supplements for the last 10 years in comparison to the consumer's price index (CPI).



Financial Highlights

Net Assets Available for Benefits

The Plan's net assets available for benefits totaled $35,533,036 (2007 – $42,877,830), a net decrease of $7,344,794 from the previous year. The decrease is due to a decrease in the market value of the investments at December 31, 2008:

CHANGE IN NET ASSETS AVAILABLE FOR BENEFITS

	2008	2007
Income		
Investment income	$ 1,394,207	$ 4,514,577
Change in market values of investments	(5,662,006)	(3,063,844)
Contributions – employee	64,820	55,055
Contributions – employer	133,278	112,740
	(4,069,701)	1,618,528
Expenditures		
Benefits and termination refunds	3,040,170	4,301,685
Administrative expenses	117,490	57,865
Investment expenses	117,433	121,029
	3,275,093	4,480,579
(Decrease) in net assets available for benefits	$ (7,344,794)	$ (2,862,051)

Investment income for 2008 is $1,394,207, a decrease of $3,120,370 from 2007. The decrease in investment income is attributed to the weak equity markets resulting in fewer gains obtained on the sale of equities. The market value of investments decreased by $5,662,006 in 2008 compared to a decrease of $3,063,844 in 2007. The majority of the decrease is due to lower prices for equities as a result of the decline in the equity markets in fall of 2008. The Plan did not own any asset-backed commercial paper in 2008.

The decrease in expenditures of $1,205,486 is the result of the Plan not incurring termination refunds in 2008 compared to $1,315,435 incurred in 2007. Pension benefits paid out in 2008 were $3,040,170, comparable to $2,986,250 in 2007. Direct and investment expenses primarily represent fees paid to the Investment Manager, Investment Consultant, Custodian, Auditor and the Actuary for managing and recording the Plan's investments and monitoring the financial status of the Plan. These expenses increased by $59,625 in the current year as 2008 had higher fees related to the actuarial valuation, which was done in 2008 for the year ended December 31, 2007.

Accrued Pension Benefits

The obligation of a defined benefit pension plan is to fulfill its pension promise of providing benefit payments to all members. To estimate the obligation of a defined benefit pension plan an actuarial valuation is performed on a regular basis.

The actuarial valuation involves estimating the total amount required today together with future investment returns that will be sufficient to meet all required benefit payments. This total amount required today is known as a plan's actuarial liability or the present value of accrued

pension benefits. It is compared to the market value of a plan's assets to determine the level of surplus assets or the level of deficit (where the actuarial liability exceeds the assets).

An actuarial valuation is conducted at a minimum every three years to ensure a plan's assets and contribution levels are adequate to provide long-term benefits. This is commonly referred to as a "funding valuation." As SGI is responsible for providing retirement benefits, the funding valuation is used to determine the amount of contributions that SGI is required to deposit into the Plan each year. The December 31, 2005 funding valuation that was completed during 2006 determined that the surplus position of the Plan had been substantially reduced. That funding valuation required SGI to begin employer contributions and those commenced in October 2006. The December 31, 2007 funding valuation that was completed in 2008 resulted in a further increase in the contribution rate by SGI, effective October 2008 to ensure adequate funding to provide long-term benefits.

In addition to the funding valuation, a separate valuation is prepared to determine information for a plan's financial statements. This is commonly known as an "accounting valuation." It is important to note that the actuarial assumptions used in the funding valuation may be different than those used in the accounting valuation. In particular the accounting valuation for this Plan includes a provision for uncommitted future ad hoc benefit increases, whereas the funding valuation only considers ad hoc benefit increases that have been granted to date.

Actuarial Methodology and Assumptions

In completing an actuarial valuation, certain future events must be considered. A number of assumptions are made and the future events are deemed to occur according to these assumptions. For the purpose of this annual report an accounting actuarial valuation has been prepared.

To value the liabilities for the accounting valuation, the actuary examines the Plan's demographics such as age, length of service and salary ranges of the membership. Information is processed on active members, deferred members and pensioners and surviving spouses who receive benefits from the Plan. In addition, mortality, disability and termination of employment data are reviewed and factored into the valuation assumptions. A summary of some of the key assumptions used in the accounting valuation is as follows:

ACCOUNTING VALUATION ECONOMIC ASSUMPTIONS	**2008**	2007
Discount rate – beginning of period	5.50%	5.00%
Discount rate – end of period	7.50%	5.50%
Expected rate of return on plan assets	6.25%	6.25%
Inflation rate	2.50%	2.50%
Expected salary increase	3.50%	3.50%
Post-retirement index	50% of CPI	50% of CPI

While the actuarial assumptions used to estimate the Plan's liabilities are a best estimate of future events, it is inevitable that the Plan's future experience will differ from the estimates. Any differences between the actuarial assumptions and future experience will emerge as gains or losses and will affect the surplus or deficit position of the Plan. The experience loss in 2008 of

$419,000 reported in the Plan's Statement of Changes in Accrued Pension Benefits consists of differences between actual and expected amounts relating to ad hoc indexing of pension payments for inflation, retirement rates and lump sum payments to retirees. The difference between these items can and will change over time.

Plan Surplus/Deficit

Based on the actuarial valuation performed as at December 31, 2007 and extrapolated to December 31, 2008, the Plan's financial position, for accounting purposes only, indicates a plan surplus as follows:

	2008	2007
Fair value of net assets available for benefits	**$ 35,533,036**	$ 42,877,830
Present value of accrued pension benefits	**35,530,974**	41,403,144
Plan Surplus	**$ 2,062**	$ 1,474,686

ACTUARIAL OPINION

To the Members of the SGI Superannuation Plan Committee

With respect to the *Contributory Superannuation Plan for the Employees of Saskatchewan Government Insurance*, we have prepared an actuarial extrapolation as at December 31, 2008, for the purpose of determining the necessary actuarial information for financial statement reporting in accordance with Section 4100 of the CICA Handbook. In my opinion, for the purpose of this actuarial extrapolation:

- the data on which this extrapolation is based are sufficient and reliable;
- where applicable, the assumptions have been adopted as management's best estimates for accounting purposes and consequently I have not rendered a specific opinion on them; however, in my opinion, the assumptions are in aggregate not unreasonable, when considering the circumstances of the plan and the purpose of the extrapolation;
- the actuarial cost methods, asset valuation methods and extrapolation methods employed are appropriate; and
- the extrapolation conforms with the requirements of Section 4100 of the Canadian Institute of Chartered Accountants.

Nonetheless, emerging experience differing from the assumptions will result in gains or losses which will be revealed in subsequent valuations.

This report has been prepared and this actuarial opinion has been given in accordance with accepted actuarial practice.

David R. Larsen
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries

February 24, 2009

AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of net assets available for benefits, accrued pension benefits and surplus of the Saskatchewan Government Insurance Superannuation Plan as at December 31, 2008, the statements of changes in net assets available for benefits and changes in accrued pension benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits, accrued pension benefits and surplus of the Plan as at December 31, 2008, the changes in net assets available for benefits and accrued pension benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada
February 24, 2009

SASKATCHEWAN GOVERNMENT INSURANCE

SUPERANNUATION PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS, ACCRUED PENSION BENEFITS AND SURPLUS

As at December 31

	2008	2007
ASSETS		
Investments (Note 3)		
Bonds and debentures	$ 19,052,231	$ 22,376,946
Money market instruments	1,612,123	3,839,884
Pooled equity fund	4,030,563	4,951,792
Equities	10,549,021	11,432,915
	35,243,938	42,601,537
Accrued interest and dividends	192,854	199,705
Cash	104,587	87,420
TOTAL ASSETS	**35,541,379**	42,888,662
LIABILITIES		
Accounts payable	8,343	10,832
NET ASSETS AVAILABLE FOR BENEFITS	**35,533,036**	42,877,830
ACCRUED PENSION BENEFITS (Note 7)	**35,530,974**	41,403,144
SURPLUS	**$ 2,062**	$ 1,474,686

(See accompanying notes)

Approved by the Board of Directors:

W. Sproule
Chairperson, Board of Directors

A. Lavack
Director

SUPERANNUATION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year Ended December 31

	2008	2007
INCREASE IN ASSETS		
Investment income (Note 4)	$ -	$ 1,450,733
Employee contributions (Note 1(b))	64,820	55,055
Employer contributions (Note 1(b))	133,278	112,740
TOTAL INCREASE IN ASSETS	**198,098**	1,618,528
DECREASE IN ASSETS		
Investment loss (Note 4)	4,267,799	-
Pension benefits	3,040,170	2,986,250
Termination refunds	-	1,315,435
Direct expenses (Note 8)	117,490	57,865
Investment expenses	117,433	121,029
TOTAL DECREASE IN ASSETS	**7,542,892**	4,480,579
DECREASE IN NET ASSETS	**(7,344,794)**	(2,862,051)
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	42,877,830	45,739,881
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	**$ 35,533,036**	$ 42,877,830

(See accompanying notes)

SASKATCHEWAN GOVERNMENT INSURANCE SUPERANNUATION PLAN

STATEMENT OF CHANGES IN ACCRUED PENSION BENEFITS

Year Ended December 31

	2008	2007
ACCRUED PENSION BENEFITS, BEGINNING OF YEAR	**$ 41,403,144**	$ 45,214,627
INCREASE IN ACCRUED PENSION BENEFITS		
Interest on accrued benefits	2,205,000	2,163,000
Change in actuarial assumption	(5,691,000)	(1,817,000)
Experience loss (gain) (Note 7)	419,000	(76,000)
Pension benefits accrued	235,000	220,202
	(2,832,000)	490,202
DECREASE IN ACCRUED PENSION BENEFITS		
Pension benefits	3,040,170	2,986,250
Termination refunds	-	1,315,435
	3,040,170	4,301,685
ACCRUED PENSION BENEFITS, END OF YEAR	**$ 35,530,974**	$ 41,403,144

(See accompanying notes)

SASKATCHEWAN GOVERNMENT INSURANCE
SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

1. DESCRIPTION OF PLAN

The following description of the Saskatchewan Government Insurance Superannuation Plan (the Plan) is a summary only. For more complete information, reference should be made to the Plan Text.

(a) General

The Plan is a contributory defined benefit pension plan covering some employees of Saskatchewan Government Insurance (SGI). This Plan is operated pursuant to Section 17 of *The Saskatchewan Government Insurance Act, 1980*. Since 1980, new employees hired are required to join the Capital Pension Plan, a defined contribution pension plan. The Superannuation Plan Committee (the Committee) is comprised of three members that act on and decide all matters pertaining to the administration of the Plan. The Committee also makes recommendations to SGI's Board of Directors as overall governance and administration of the Plan resides with SGI.

(b) Funding Policy

(i) SGI and plan members make contributions to the Plan. SGI contributes such amounts as recommended by the actuary in order that the benefits under the Plan may be properly funded. Employees contribute 6.5% of earnings, less a portion of their contributions to the Canada Pension Plan.

(ii) SGI provides funding to the Plan based on the recommendation of the actuary until the next funding valuation has been completed and filed with the regulatory body in 2011. The employer funding rate for 2008 was 215% from January 1 to September 30 and 223% from October 1 to December 31 (2007 – 208%) of the required employee contributions.

(c) Service Pensions

The Plan provides a full pension at retirement calculated as 2% of a member's average earnings during the five years of highest earnings, multiplied by the total number of years of service to a maximum of 35 years. Plan members who are less than age 65 and have completed 30 years of service may select early retirement with no reduction to pension. Plan members who are less than age 65 and have less than 30 years of service may select early retirement with a reduced pension. At age 65, members' pensions are reduced due to integration with the Canada Pension Plan.

(d) Disability Pensions

The Plan provides for early retirement when a plan member is permanently incapable, due to medical reasons, of performing their regular job duties.

(e) Survivors' Pension

The type of pension selected by the plan member will determine the amount, if any, to be paid as pension to the survivor.

(f) Death Refunds

A death refund is payable to the estate of a pensioner or survivor where such pensions have not been paid to their full extent and plan conditions permit.

In a similar manner, a death refund is payable to the spouse, if any, otherwise to the estate or designated beneficiary of a member where the member is not a pensioner.

(g) Termination Refunds

When a member ceases to be employed by SGI, subject to lock-in provisions, termination refunds with interest are payable.

(h) Income Taxes

The Plan is a registered pension plan as defined in the *Income Tax Act* and is not subject to income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Plan are in accordance with Canadian generally accepted accounting principles. The following are considered to be significant:

(a) Basis of Presentation

These financial statements are prepared on a going concern basis and present the financial position of the Plan as a separate entity independent of SGI and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period, but they do not portray the funding requirements of the Plan or the benefit security of individual plan members.

(b) Changes in accounting policies

Effective January 1, 2008, two new presentation and disclosure standards were adopted: Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862, Financial Instruments –Disclosures (Section 3862); and Handbook Section 3863, Financial Instruments – Presentation (Section 3863).

Sections 3862 and 3863 replaced Handbook Section 3861, Financial Instruments – Disclosure and Presentation. The new disclosure standards increase the disclosures related to financial instruments and the nature, extent and management of the plan's risks arising from financial instruments. The presentation standards carry forward unchanged the former presentation requirements. As these standards only address disclosure and presentation requirements, there is no impact on the Plan's operating results.

(c) Investments

Bonds and debentures, pooled equity fund, money market instruments and equities are recorded at fair value, based on year-end market closing bid price. Transactions are recorded as of the trade date. The Plan recognizes income on dividends when declared, on interest as earned and on pooled equity income when a distribution is declared.

(d) Foreign Currencies

Foreign currency transactions are translated into Canadian dollars using exchange rates in effect on the transaction date. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at year end. Exchange gains or losses arising on the translation of monetary assets and liabilities or sale of investments are included in investment income.

(e) Measurement Uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined. The most significant estimation process is related to the actuarial determination of the accrued pension benefits (note 7).

(f) Future Accounting Policy Changes

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises, including the Plan, will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. SGI has commenced an IFRS conversion project, for it, its subsidiaries and the Plan, including initiating the development of a high level IFRS implementation plan. An external advisor has been engaged by SGI to assist with the development of this plan and to perform a detailed review

of major differences between current Canadian GAAP and IFRS. Work is in the early stages and, as a result, the impact on the Plan's future financial statements is not reasonably determinable.

3. INVESTMENTS

The Plan's investment policy limits its investment concentration in any one investee or related group of investees to 10% of the market value of investment assets in equities, corporate bonds and debentures and the pooled equity fund. Details of significant terms and conditions of investments are as follows:

(a) Bonds and debentures

Bonds and debentures invested by the Plan have a minimum BBB rating (including all sub-rating levels within the overall BBB rating) or equivalent as rated by at least two of three recognized bond-rating agencies operating in Canada, at the time of purchase.

The fair value and average effective interest rates are shown in the following table by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Interest is generally receivable on a semi-annual basis.

	2008		2007	
Term to Maturity (years)	Fair Value	Average Effective Rates	Fair Value	Average Effective Rates
Government of Canada:				
Less than one	$ 1,367,926	4.0%	$ -	-
After one through five	1,631,774	3.7%	7,810,583	3.9%
After five	450,810	3.1%	1,780,386	4.1%
Province of Saskatchewan:				
After five	606,401	5.0%	226,290	4.6%
Canadian provincial and municipal:				
After one through five	649,500	5.2%	895,067	4.2%
After five	4,918,067	5.1%	5,034,430	4.6%
Canadian corporate:				
Less than one	254,720	3.4%	144,307	5.0%
After one through five	3,907,083	5.0%	2,233,468	5.0%
After five	5,265,950	5.4%	4,252,415	5.2%
Total bonds and debentures	$ 19,052,231		$ 22,376,946	

For bonds and debentures, the fair values are considered to approximate quoted market values on recognized exchanges, based on the latest closing prices.

(b) Money market instruments

Money market instruments which are comprised of treasury bills and commercial paper have average effective interest rates of 1.52% (2007 – 4.28%) and an average remaining term to maturity of 32 days (2007 – 87 days). The Plan's investment policy states that these investments must meet the minimum investment standard of R-1 or equivalent as rated by a recognized bond rating agency operating in Canada, at the time of purchase.

Carrying amounts for money market instruments approximate fair value due to the immediate or short-term nature of these financial instruments.

(c) Pooled equity fund

The Plan owns units in an international pooled equity fund which has no fixed distribution rate and its return is based on the success of the fund manager.

The fair value of the pooled equity fund is considered to approximate quoted market values of the underlying investments, which is normally the latest closing price.

(d) Equities

Equities have no fixed maturity dates and are generally not exposed to interest rate risk. Dividends are generally declared on a quarterly basis. The average effective dividend rate is 2.66% (2007 – 1.49%).

Included in equities are shares denominated in United States dollars with a carrying value of $5,342,234 (2007 –$5,024,877).

The fair values of equities are considered to approximate quoted market values on recognized stock exchanges, based on the closing prices.

4. INVESTMENT INCOME (LOSS)

The components of investment income (loss) are as follows:

	2008	2007
Interest	$ 1,133,336	$ 1,186,670
Dividends	287,992	893,518
Net realized gain (loss) on sale of investments	(27,121)	2,434,389
Decrease in market value of investments	(5,662,006)	(3,063,844)
Investment income (loss)	(4,267,799)	1,450,733

Included in the investment income (loss) is interest of $25,394 (2007 - $12,262) and a decrease in the market value of $4,965 (2007 – increase of $23,217) on Province of Saskatchewan bonds and debentures.

5. FINANCIAL RISK MANAGEMENT

The nature of the Plan's operations result in a statement of net assets available for benefits accrued pension benefits and surplus that consists primarily of financial assets and liabilities. The risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk.

Significant financial risks are related to the Plan's investments. These financial risks are managed by having an investment policy (note 3), which is approved annually by the Superannuation Plan Committee. The investment policy provides guidelines to the Plan's investment managers for the asset mix of the portfolio regarding quality and quantity of debt and equity investments. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets.

Credit risk

The Plan's credit risk arises primarily from certain investments. The maximum credit risk to which it is exposed at December 31, 2008 is limited to the carrying value of the financial assets summarized as follows:

	2008	2007
	Carrying value	Carrying value
Cash	$104,587	$87,420
Accrued interest and dividends	192,854	199,705
Bonds and debentures	19,052,231	22,376,946
Money market instruments	1,612,123	3,839,884

Credit risk within investments is primarily related to bonds and money market instruments. It is managed through the investment policy that limits debt instruments to those of high credit quality (minimum rating for bonds is BBB, and for money market instruments is R-1) along with limits to the maximum notional amount of exposure with respect to any one issuer.

Credit rating for bonds are as follows:

	2008		2007	
Credit Rating	Fair Value	Makeup of Portfolio	Fair Value	Makeup of Portfolio
AAA	$ 4,971,196	26.1%	$ 3,449,046	15.4%
AA	6,359,997	33.4%	13,596,585	60.8%
A	6,674,768	35.0%	4,964,455	22.2%
BBB	1,046,270	5.5%	366,860	1.6%
Total	$ 19,052,231	100%	$ 22,376,946	100%

Within bond and debentures investments, there are no holdings from one issuer, other than the Government of Canada or a Canadian province, over 10% of the market value of the combined bond and short-term investment portfolios. No one holding of a province is over 7% of the market value of the bond portfolio.

Through its custodian, the Plan participates in an investment security lending program. Collateral of at least 102% of the market value of the loaned securities is held for the loan. This collateral is marked to market on a daily basis. In addition, the custodian provides indemnification against any potential losses in the securities lending program. At December 31, 2008 the Plan had $4,026,000 (2007 - $8,508,000) of securities loaned under the program and held collateral of $4,280,000 (2007 - $9,146,000).

Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

Interest rate risk

The Plan is exposed to changes in interest rates in its bonds and money market instruments. It is estimated that a 100 basis point increase/decrease in interest rates would decrease/increase net assets available for benefits by $1.2 million at December 31, 2008, representing 5.6% of the $20.7 million fair value of these investments.

Foreign exchange

The Plan is subject to changes in the U.S./Canadian dollar exchange rate on its U.S. denominated investments. Also, the Plan is exposed to EAFE (Europe, Australasia and Far East) currencies through its investment in the pooled equity fund. Exposure to both U.S. equities and non-North American equities is limited to a maximum 30% total of the market value of the total investment portfolio. At December 31, 2008, the Plan's exposure to U.S. equities was 15.2% (2007 – 11.8%) and its exposure to non-North American equities was 11.4% (2007 – 11.6%).

At December 31, 2008, a 10% appreciation in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a $0.5 million decrease in the increase in net assets available for benefits and surplus. A 10% weakening in the Canadian dollar versus the EAFE currencies would result in approximately a $0.4 million increase in the net assets available for benefits.

No more than 10% of the market value of the bond and debentures portfolio shall be invested in bonds of foreign issuers.

Equity prices

The Plan is exposed to changes in equity prices in Canadian, U.S. and EAFE markets. Equities comprise 41.4% (2007 – 38.5%) of the carrying value of the Plan's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. No one investee or related group of investees represents greater than 10% of the market value of the Plan's common share portfolio. As well, no one holding represents more than 10% of the voting shares of any corporation.

The following table indicates the approximate change that would be expected to the increase/decrease in net assets available for benefits based on changes in the Plan's benchmark indices at December 31, 2008:

	10% increase	10% decrease
S&P/TSX Composite Index	$ 521,000	$ (521,000)
S&P 500 Index	534,000	(534,000)
MSCI EAFE Index	403,000	(403,000)

Liquidity risk

Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows.

6. INVESTMENT PERFORMANCE

The Plan's long-term investment performance objective is to achieve continued growth while avoiding unfunded liabilities and excessive volatility in annual rates of return. Continued growth remains a consideration in funding the liabilities associated with the active members as well as to provide ad hoc benefit increases to offset the impact of inflation. Based on these factors, the Plan can assume a low to moderate level of investment risk to achieve its investment objectives. Accordingly, a diversified long-term asset mix strategy with a bias to fixed income is warranted.

The investment manager makes day-to-day decisions on whether to buy or sell specific investments in order to achieve the long-term investment performance objectives set by the Committee. It is these long-term investment performance objectives that are used to assess the performance of the investment manager.

The Committee reviews the investment performance of the Plan regarding the performance of the benchmark portfolio over rolling four-year periods.

The following is a summary of the Plan's investment performance:

	Annual Return		Rolling Four-Year Average Annual Return	
	2008	2007	**2008**	2007
Plan's actual rate of return	(10.5%)	3.3%	3.2%	8.4%
Target rate of return	(8.7%)	1.8%	2.8%	7.2%

7. ACCRUED PENSION BENEFITS

The present value of accrued pension benefits was determined using the projected benefit method prorated on service and management's best estimate assumptions.

Aon Consulting Inc. performed the actuarial valuation as at December 31, 2007 and extrapolated it to December 31, 2008 for accounting purposes, which includes a provision for uncommitted ad hoc benefit increases.

As a result of the extrapolation there was a net experience loss in 2008 of $419,000. This loss was a result of an actuarial loss of $731,000 due to experience items such as salary increases, retirements, termination and mortality experience being different than expected. This loss is offset by an actuarial gain as a result of the December 31, 2007 actuarial valuation assuming an ad hoc increase to pensions of 1.25% on January 1, 2008. Since there was no ad hoc increase granted this has resulted in an actuarial gain of $312,000.

Measurement of the present value of accrued pension benefits is uncertain, as estimates must be made of future interest rates, inflation rates and post-retirement index rates. For purposes of this actuarial valuation long-term assumptions used include:

ECONOMIC ASSUMPTIONS:	**2008**	2007
Discount rate – beginning of period	5.50%	5.00%
Discount rate – end of period	7.50%	5.50%
Expected return on plan assets	6.25%	6.25%
Inflation rate	2.50%	2.50%
Expected salary increase	3.50%	3.50%
Post-retirement index	50% of CPI	50% of CPI
Remaining service life of active members in years (EARSL)	3	3

The following table shows the change in the accrued pension benefits if the assumptions were modified:

Assumption	Change Made	Change in Accrued Pension Benefits ($)	Change in Accrued Pension Benefits (%)
1. Discount rate	Plus 1%	($2,248,000)	(6.3%)
	Minus 1%	$2,627,000	7.4%
2. Inflation rate	Plus 1%*	$1,304,000	3.7%
	Minus 1%*	($1,215,000)	(3.4%)
3 Post-retirement indexing	Plus 10% of CPI	$620,000	1.7%
	Minus 10% of CPI	($599,000)	(1.7%)

*The discount rate has not been changed under these scenarios. Only the salary scale, yearly maximum pensionable earnings scale, *Income Tax Act* Maximum Pension Scale and post-retirement indexing rates were changed.

The fair value of the accrued pension benefits has not been determined, as it is impracticable to determine it with sufficient reliability.

8. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Plan by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

The costs to administer the Plan are borne by SGI, the Plan administrator, and are not reflected in these financial statements. Direct out of pocket expenses of the Plan, including audit, actuarial, custodial, investment management and investment consulting fees are paid by the Plan.

Other related party transactions are described separately in the notes.

9. FAIR VALUES

The fair value of financial assets and liabilities, other than investments (note 3) and accrued pension benefits (note 7) approximate carrying value due to their immediate or short-term nature.

10. COMPARATIVE FINANCIAL INFORMATION

For comparative purposes, certain 2007 balances have been reclassified to conform to 2008 financial statement presentation.